



Patrick W. Henning, Director

September 24, 2009  
22M:345:jdt:9120



Arnold Schwarzenegger  
Governor

Mr. Marco Lizarraga, Acting Executive Director  
La Cooperativa Campesina de California  
7801 Folsom Blvd., Suite 365  
Sacramento, CA 95826

Dear Mr. Lizarraga:

WORKFORCE INVESTMENT ACT  
25-PERCENT PROJECT REVIEW  
FINAL MONITORING REPORT  
PROGRAM YEAR 2008-09

This is to inform you of the results of our review for Program Year (PY) 2008-09 of the La Cooperativa Campesina de California's (La Coop) administration of its Workforce Investment Act (WIA), Agricultural Industry Dislocated Worker (AIDW) Project, Subgrant Number R972231. Mr. Jim Tremblay and Mr. Seymour Morgan conducted this review from May 18, 2009 through June 1, 2009. For the program operations portion of the review, we focused primarily on the areas of program administration, participant eligibility, WIA activities, monitoring, if applicable, and management information system/reporting. For the financial management portion of the review, we focused primarily on the areas of accounting systems, expenditures, allowable costs, cost allocation, reporting, indirect costs, cash management, internal controls, incident reporting, program and interest income, executive salary limitations, fiscal oversight and monitoring, and subrecipient single audit. For the procurement portion of the review, we focused on procurement competition, cost and price analyses, contract provisions and property management.

We conducted our review under the authority of Sections 667.400(c) and 667.410(b)(1)(2)(3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by La Coop with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding program operations, financial management and procurement.

We collected the information for this report through interviews with La Coop representatives, and service provider staff. In addition, this report includes the results of our review of sampled case files for participants enrolled in the WIA AIDW Program; a review of La Coop's response to Sections I and II of the 25-Percent Program On-Site

Monitoring Guide; applicable policies and procedures; and a review of documentation retained by La Coop for a sample of expenditures and procurements.

We received your written response to our draft report on August 25, 2009, and your email responses dated September 8, 9, and 18, 2009. We reviewed your comments and documentation before finalizing this report. Because your response adequately addresses findings 1, 3 and 6, no further action is required at this time. However, these issues will remain open until we verify the implementation of your stated corrective action plan during a future onsite review. Until then, these findings are assigned Corrective Action Tracking System (CATS) numbers 90194, 90196, and 90199, respectively.

Conversely, your response did not adequately address findings 2, 4, 5, 7, 8, 9, 10, and 11, and we consider these findings unresolved. We request that La Coop provide the Compliance Review Office (CRO) with additional information to resolve the issues that led to the findings. Therefore, these findings remain open and have been assigned CATS numbers 90195, 90197, 90198, 90200, 90201, 90202, 90203, and 90204, respectively.

## **BACKGROUND**

La Coop was awarded \$2,500,000 to operate a WIA AIDW Program and serve 463 WIA participants from July 25, 2008 through September 30, 2009. For the quarter ending March 31, 2009, La Coop reported that it spent \$1,574,735.82 and enrolled 253 participants. We reviewed case files for 30 of the 82 participants enrolled in the WIA project as of May 21, 2009.

## **PROGRAM REVIEW RESULTS**

While we concluded that, overall, La Coop is meeting applicable WIA requirements concerning grant program administration, we noted an instance of noncompliance in the area of subrecipient monitoring. The finding that we identified in this area, our recommendation, and La Coop's proposed resolution of the finding is specified below.

### **FINDING 1**

**Requirement:** 20 CFR Section 667.410 states, in part, that each recipient and subrecipient must conduct regular monitoring and oversight if its WIA activities and those of its subrecipients and contractors in order to:

- Determine that expenditures have been made against the cost categories and within the cost limitations specified with the Act and the Regulations;

- Determine whether or not there is compliance with other provisions of the Act and the WIA Regulations and other applicable laws and regulations; and
- Provide technical assistance as necessary and appropriate.

20 CFR, Section 667.400 states, in part, that the Governor must develop a monitoring system that ensures compliance with applicable laws and regulations in accordance with the State monitoring system.

WIAD00-7 states, in part, that onsite monitoring of all subrecipients must occur at least once each program year.

**Observation:** We found that La Coop did not conduct an onsite program monitoring review of two of its five subrecipients. Specifically, La Coop did not complete its onsite program monitoring reviews of Central Valley Opportunity Center (CVOC) and the California Human Development Corporation (CHDC). In addition, La Coop did not monitor Employment Training Resources and Center for Employment Training during PY 2007-08. In past reviews, we found that La Coop failed to conduct monitoring of all its subcontractors and did not conduct these reviews unless identified in a compliance review and instructed to do so.

**Recommendation:** We recommended that La Coop provide the Compliance Review Office (CRO) with a corrective action plan (CAP) including a timeline to ensure that an onsite monitoring review is conducted at each of La Coop's five subrecipients during each program year. In addition, we recommended that La Coop provide a copy of the monitoring reports completed for CVOC and CHDC for PY 2008-09.

**La Coop Response:** La Coop provided copies of the onsite monitoring reports for CVOC and CHDC to CRO via email on September 18, 2009. La Coop stated that it will schedule its subrecipient monitoring visits within the first month of the program year.

**State Conclusion:** La Coop's stated corrective action should be sufficient to resolve this issue and no further action is required. However, we cannot close this issue until we verify, during a future onsite visit, La Coop's successful implementation of its stated corrective action in regard to PY 2009-10 onsite monitoring reviews of its five subrecipients. Until then, this issue remains open and has been assigned CATS number 90194.

## **FINANCIAL MANAGEMENT REVIEW RESULTS**

We concluded that, overall, La Coop is not meeting applicable WIA requirements concerning financial management and has put WIA funds at risk. We found that La Coop: 1) lacks policies and procedures to ensure that financial requirements are carried out in accordance with WIA and grant provisions; 2) has inadequate safeguards for its check payment system; 3) has inadequate internal controls over and accountability for all funds, property, and other assets; 4) does not conduct any fiscal monitoring of its subcontractors to ensure proper expenditures by its subcontractors; 5) does not report subcontractor expenditures on an accrual basis; 6) failed to provide its subcontractors with the most up-to-date incident reporting procedures; and 7) failed to take action on deficiencies identified in an audit report of a La Coop subcontractor. The detail of our findings, our recommendations, and La Coop's proposed resolution of the findings are specified below.

### **FINDING 2**

**Requirement:** 29 CFR, Part 95.21 states, in part, that recipient financial management systems shall provide written procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable federal cost principles and the terms and conditions of the award.

In addition, the Department of Labor (DOL), Comprehensive Financial Management Technical Assistance Guide (TAG) states, in part, that an awarding entity may review the adequacy of the administrative and financial management system of any subgrantee at any time subsequent to award. Processes and procedures should be documented through the development of manuals and policy directives that clearly state exactly how the subgrantee will adhere to these requirements. The adequacy of the systems may impact future funding or result in the imposition of corrective action plans.

**Observation:** We found that La Coop does not maintain a procedures manual that provides instructions for the completion of required financial management practices. Specifically, there are no written procedures or instructions for the completion of routine fiscal practices such as monthly expenditure reports, cash requests, cost allocations, maintenance of the chart of accounts and general ledger, collecting subrecipient single audits and audit resolution, and carrying out various internal controls among other critical fiscal practices.

We also found that, in many instances, there was disagreement among La Coop staff in relation to how La Coop's various internal practices are implemented.

**Recommendation:** We recommended that La Coop provide CRO with a CAP including a timeline for the development of a policy and procedures manual that will sustain the operation of La Coop's financial management system in the event key staff are absent to carry out critical fiscal practices. In addition, we recommended that La Coop provide a copy of the policy and procedures manual to CRO.

**La Coop Response:** La Coop stated that it anticipates that a draft policy and procedures manual to sustain the operation of its financial management system will be completed by September 15, 2009 and finalized by November 16, 2009.

**State Conclusion:** Based on La Coop's response, we cannot resolve this issue at this time. We cannot close this issue until we receive and review a copy of the policy and procedures manual after it is completed. Until then, this issue remains open and has been assigned CATS number 90195.

### **FINDING 3**

**Requirement:** 29 CFR, Part 95.21 states, in part, that DOL requires reporting on an accrual basis using accrual data on the basis of an analysis of the documentation on hand.

WIAD06-4 states, in part, that all grant recipients are required to report expenditures on an accrual basis for all quarterly expenditure reports. Accrual expenditures are the charges incurred and recorded, but not yet paid for, during a report period, for goods and other tangible property received, services performed by employees, contractors, subgrantees, subcontractors, and other payees, and other amounts becoming owed under programs for which no current services or performance is required, such as annuities, insurance claims, and other benefit payments.

**Observation:** We found that La Coop does not require its subrecipients to report accrued expenditures on their expenditure reports. Specifically, La Coop has not provided any training or instructions for reporting accrued expenditures. In addition, La Coop's subrecipient invoice

form provides no space for its subrecipients to reports accrued expenditures.

**Recommendation:** We recommended that La Coop provide CRO with a CAP including a timeline to revise its subrecipient invoice form to include an appropriate space for reporting program accruals for each quarterly expenditure report. In addition, we recommended that the CAP include a timeline for training La Coop subrecipients for reporting accrued expenditures.

**La Coop Response:** La Coop stated that it will revise its subrecipient invoice form to include an appropriate space for reporting program accruals for each quarterly expenditure report. In addition, La Coop plans to provide instructions for reporting accrued expenditures when it provides the revised invoice to its subrecipients. La Coop anticipates that it will complete this process by September 4, 2009. On September 9, 2009, La Coop provided a copy of the instructions it provided to all subrecipient organizations in a September 3, 2009 Memo related to reporting accruals using the revised invoice form. A copy of the revised invoice form was also provided to CRO.

**State Conclusion:** La Coop's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future onsite visit, La Coop's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 90196.

#### **FINDING 4**

**Requirement:** 29 CFR, Part 95.21 states, in part, that a recipient's financial management systems shall provide effective control over and accountability for all funds, property and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.

The DOL, "Comprehensive Financial Management TAG" states that effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Internal controls are designed to provide safeguards for federal funds. For example, payments may not be authorized solely by any employee who has the authority to sign checks.

**Observation:** We found several questionable practices in relation to La Coop's internal controls. Specifically, we observed the following:

- The Executive Director is the only person who reviews La Coop's bank account statement.
- The Executive Director is allowed to sign checks to himself.
- A fiscal staff is able to purchase supplies without any review or approval to ensure the purchases are appropriate.
- Subcontractor invoices are processed for payment without the Operations Manager's signature. Although the invoice designates an area for the Operation Manager's signature, this process is ignored.
- There is no consistency in the approval of the Executive Director's timesheet. At times, the Operations Manager will sign (approve) the Executive Director's timesheet and other times, no approval is obtained.

**Recommendation:** We recommended that La Coop provide CRO with a CAP including a timeline to establish effective internal controls that will ensure that effective checks and balances and segregated duties are routinely conducted in the implementation of La Coop's financial management practices. In addition, we recommended that La Coop develop written internal control procedures that are communicated to all appropriate La Coop staff and a copy provided to CRO when it is completed.

**La Coop Response:** La Coop stated that it anticipates the issues of internal controls will be addressed while developing the policy and procedures manual recommended under Finding 2. La Coop stated that its internal control procedures will include a proper system of checks and balances. As indicated previously, the policy and procedures manual will be finalized November 16, 2009.

**State Conclusion:** Based on la Coop's response, we cannot resolve this issue at this time. La Coop's compliance with the recommended corrective action cannot be determined until it submits its policy and procedures manual on November 16, 2009. In addition, La Coop did not address how the written internal control procedures will be communicated to all appropriate La Coop staff. Until then, this issue remains open and has been assigned CATS number 90197.

**FINDING 5**

**Requirement:** 29 CFR, Part 95.21(b) states, in part, that recipient financial management systems shall provide:

- Records that identify adequately the source and application of funds for federally sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, and outlays.
- Effective control over and accountability for property and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.
- Written procedures for determining the reasonableness, allocability and allowability of cost in accordance with the provisions of applicable federal cost principles and terms and conditions of the award.
- Accounting records including cost accounting records that are supported by source documentation.

Office of Management and Budget (OMB) Circular A-122 Attachment A(2) states, in part, to be allowable under an award, cost must be adequately documented.

**Observation:** We found that La Coop's Fiscal Officer improperly signed checks for payments to herself and to a contractor. Only three signatories (Director, Operations Manager, and Government Relations Coordinator) are allowed to sign for checks and there are no provisions to delegate signature authority to anyone else. We found that eight of the 20 check payments sampled contained forged signatures by the Fiscal Officer. We found that the Fiscal Officer forged the signature of the Government Relations Coordinator on seven checks issued to herself and one check issued to the Center for Employment training (CET). Of the seven checks made payable to the Fiscal Officer:

- Five checks were issued for travel expenses in the amounts of \$416.50, \$376, \$429.25, \$372.50, and \$416.50.



- One check was issued for reimbursement for office supplies purchased from Costco combined with mileage reimbursement for \$412.50;
- One check was issued for reimbursement for office supplies purchased from Office Depot for \$362;

The remaining check signed by the Fiscal officer was issued to CET for \$15,866.89.

The total questioned costs amount to \$18,652.14. Since the Fiscal Officer stated that she forged signatures for an indefinite number of years, it is not clear how long the practice was conducted and the extent of the potential additional questioned costs.

In all instances above, we found insufficient documentation to substantiate that the eight WIA expenditures were for the purpose identified in the records. Until such time adequate documentation is submitted, these costs will be considered questionable and potentially disallowed.

**Recommendation:** We recommended that La Coop provide CRO with a CAP including a timeline to:

- Investigate and determine if the eight check payments are for allowable WIA costs and provide CRO with any supporting documentation and analysis of its determination and the actions taken for payments not supportable for charge to WIA.
- Review all checks written by La Coop over the last six years.
- Determine which checks may contain questionable signatures.
- For checks with questionable signatures, review any supporting information to determine if payments were for allowable WIA purposes.
- Reverse all charges that are unsupported and charge costs to a nonfederal source.
- Document the results and actions taken to account for all costs charged to WIA grants.
- Provide a report of the results to the CRO.

- Establish effective signatory authority policy and procedures that will ensure only authorized signatories sign WIA financial transactions and checks.

**La Coop  
Response:**

La Coop stated that it is currently reviewing the eight check payments identified above and all checks written for the past six years. A full report of this review will be ready by November 6, 2009.

**State Conclusion:** Based on La Coop's response, we cannot resolve this issue at this time. We cannot resolve this issue until La Coop completes and submits a report of its review of the eight identified checks and all checks written by La Coop over the last six years that adequately responds to the above recommended corrective actions. Until then, this issue remains open and has been assigned CATS number 90198.

**FINDING 6**

**Requirement:**

20 CFR, 667.630 states, in part, that information and complaints involving criminal fraud, waste, abuse or other criminal activity must be reported immediately to the Department of Labor, Office of Inspector General.

WIAD02-3 states, in part, that funding entities must provide written notification to lower tier subrecipients regarding their responsibilities to be alert for instances of fraud, abuse and criminal activity committed by staff, contractors, or program participants and to report all such activity immediately. Proof of this notification must be maintained in the funding entity's files.

**Observation:**

We found that La Coop has not recently communicated its incident reporting procedures to its five subrecipient organizations. La Coop has written policy and procedures related to preventing and detecting fraud, abuse, and/or criminal activities that were established in 2005. However, La Coop has not released any communication in relation to its incident reporting requirements to its five subrecipient organizations since these policies and procedures were established in 2005.

**Recommendation:** We recommended that La Coop provide CRO with a CAP including a timeline to ensure that all subcontractors are periodically notified of their responsibilities to report instances of fraud, abuse and criminal activity committed by staff, contractors, or program

participants and to report all such activity immediately. We also recommended that La Coop provide documentation of the notification that must be maintained in La Coop's files to CRO.

**La Coop  
Response:**

La Coop stated that it will provide subrecipient organizations with quarterly reminders notifying them of their responsibilities to report instances of fraud, abuse, and criminal activity committed by staff, contractors, or program participants and to report all such activity immediately. La Coop anticipates that the implementation of this process will be completed by September 4, 2009. In a September 8, 2009 email, La Coop provided a copy of the September 4, 2009 Memo that transmitted La Coop's incident reporting procedures to all subrecipient organizations. In addition, a step-by-step procedure was also provided that instructs La Coop's subrecipients about the development and submission of necessary incident reports to La Coop, CRO and the Department of Labor's Office of Inspector General.

**State Conclusion:** La Coop's stated corrective action should be sufficient to resolve this issue and no further corrective action is required. However, we cannot close this issue until we verify, during a future onsite visit, La Coop's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 90199.

**FINDING 7**

**Requirement:** 20 CFR, 667.410(a)(1) states, in part, that each recipient and subrecipient must conduct regular oversight and monitoring of its WIA activities and those of its subrecipients and contractors in order to determine that expenditures have been made against the cost categories and with the cost limitations specified in the Act and the regulations.

**Observation:** We found that La Coop does not conduct onsite fiscal and procurement monitoring reviews of its subrecipients. Specifically, while La Coop established fiscal monitoring policy and procedures for conducting onsite fiscal monitoring reviews at its five subrecipient organizations, it actually conducts only program monitoring reviews. As a result, we find that La Coop cannot ensure that its subcontractors have appropriately charged its costs to WIA.

**Recommendation:** We recommended that La Coop provide CRO with a CAP including a timeline for conducting onsite fiscal and procurement monitoring of its subrecipient organizations during PY 2009-10.

**La Coop Response:** La Coop stated that it will ensure that its staff receives training in order to conduct onsite fiscal monitoring reviews of its subrecipient organizations. La Coop is currently receiving training from the Department of Labor on subrecipient fiscal monitoring and anticipates that the training will be completed by November 6, 2009. La Coop stated that it will schedule fiscal monitoring visits with its subrecipients within the first month of the program year.

**State Conclusion:** Based on La Coop's response, we cannot resolve this issue at this time. We continue to recommend that La Coop provide CRO with a CAP including a timeline for conducting onsite fiscal and procurement monitoring of its subrecipient organizations during PY 2009-10. Until then, this issue remains open and has been assigned CATS number 90200.

## **FINDING 8**

**Requirement:** 20 CFR, 667.500(a) states, in part, that a state must utilize the audit resolution, debt collection, and appeal procedures that it uses for other Federal grant programs. If a state does not have such procedures, it must prescribe standards and procedures to be used for this grant program.

The DOL "Comprehensive Financial Management TAG," Part II, Chapter 12 states, in part, that each awarding agency below the Federal level that awards funds to lower-tier subrecipients is responsible for resolving the audits of those entities. Upon receipt of the final audit report, specific controls should be established, such as an audit control log, to ensure that resolution takes place within required time frames.

La Coop's Audit Requirements and Resolution Procedures state that La Coop shall implement an audit resolution that consists of a three part process that includes the Initial Determination, Informal Resolution period, and the Final Determination. In addition, La Coop must establish an audit resolution file to document the disposition of reported questioned costs and corrective actions taken for all findings and complete a control log.

**Observation:** We found that La Coop did not follow-up to resolve issues identified within a management letter included in the single audit report for a subrecipient. Specifically, the PY 2007-08 Single Audit Report of Central Valley Occupational Center, Inc. (CVOC) contained a management letter from the audit company identifying internal controls and operational efficiencies that needed to be resolved before the PY 2008-09 audit is conducted.

The internal control issue concerns the distribution of payroll whereby payroll checks are distributed by the same employee responsible for the preparation of payroll processing. This issue directly impacts the expenditure of WIA funds, yet La Coop has not initiated any action to resolve this issue.

**Recommendation:** We recommended that La Coop provide CRO with a CAP including a timeline for the resolution of the specified internal controls and operational efficiencies of its subcontractor, CVOC.

**La Coop Response:** La Coop stated that it will contact CVOC to follow-up on resolution of the specified internal controls and operational efficiencies mentioned in CVOC's PY 2007-08 Single Audit Report and it expects to have this issue resolved by September 25, 2009.

In a September 9, 2009 email, La Coop stated that the management letter and audit for PY 2007-08 were approved by the CVOC Board of Directors at its February 26, 2009 meeting. On February 28, 2009, CVOC instituted corrective action with the development of a new Payroll Separation of Duties Matrix which was incorporated within CVOC's Financial Policy and Procedures Manual. The matrix clearly indicates that the Accountant II processes the payroll and the Accountant I distributes the payroll checks. According to La Coop, this issue was resolved by CVOC almost immediately after it was recommended by the auditor.

**State Conclusion:** Based on La Coop's response, we cannot resolve this issue at this time. La Coop did not provide documentation that it was aware of the issues or that corrective action was taken. Although, the matrix appears to outline a clear separation of duties for processing payroll and distribution of payroll checks, we cannot close this issue until we verify, during a future onsite visit, that La Coop has conducted the necessary follow-up activities to ensure CVOC's successful implementation of its stated corrective action.

Therefore, this issue will remain open until La Coop provides CRO with documentation of the follow-up activity described above. In addition, we recommend that La Coop establish an audit resolution file to document its resolution process as described in its audit resolution procedures. Until then, this issue remains open and has been assigned CATS number 90201.

## **PROCUREMENT REVIEW RESULTS**

While we concluded that, overall, La Coop is meeting applicable WIA requirements concerning procurement, we noted instances of noncompliance in the following areas: small purchases, contract provisions, and property inventory. The findings that we identified in these areas, our recommendations, and La Coop's proposed resolution of the findings are specified below.

### **FINDING 9**

**Requirement:** 29 CFR, Part 95.43 states, in part, that all procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition. Solicitations shall clearly set forth all requirements that the bidder or offeror shall fulfill in order for the bid or offer to be evaluated by the recipient.

29 CFR, Part 95.45 states, in part, that some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action. Price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices, and similar indicia, together with discounts. Cost evaluation is the review and evaluation of each element of cost to determine reasonableness, allocability, and allowability.

29 CFR, Part 95.46 states, in part, that procurement records and files for purchases in excess of the small purchase threshold shall include the following at a minimum: (a) basis for contractor selection, (b) justification for lack of competition when competitive bids or offers are not obtained, and (c) basis for award cost or price.

La Coop's Procurement Policy and Procedures state that its small purchase threshold is set at \$50,000 at which time a formal RFP is required. Furthermore, La Coop's policy and procedures also state that only one price quote is required for purchases in the amount of

\$0-\$24,999 and a Request for Quotes (RFQ)/RFP may be required for procurements from \$25,000-\$50,000.

**Observation:**

We found that La Coop failed to document the cost or price analysis for a sample of six small purchase procurements (payroll services and computer equipment). In addition, we found that La Coop may have used the wrong method of procurement for one of the small purchases. Each of the small purchases is noted below:

- La Coop paid approximately \$26,683 for a 12-month period to Staff Resources, Inc. for payroll services for La Coop staff and WIA participants. This amount exceeds the \$25,000 threshold whereby an RFQ/RFP may be required according to La Coop's procurement policy and procedures. However, no RFQ/RFP process was conducted and no documentation was provided to substantiate that an RFQ/RFP was not necessary. Furthermore, no documentation was maintained of the bids/quotes of competing vendors. Only one email was provided of a contact with HRTOGO. While a cost comparison was made with the previous payroll services provider, it was not documented.
- La Coop purchased the following computer equipment during 2008 for which the Fiscal Officer stated that other organizations were contacted, but no documentation was kept of these contacts and no documentation was provided of a cost/price analysis:
  - One Computer projector for \$857.99.
  - Seven computers and three monitors for \$6,814.33.
  - One 20 inch monitor for \$204.72.
  - A computer and monitor for \$2,657.02, and
  - Two 20 inch monitors were purchased for \$822.99.

Finally, La Coop's policy and procedures that require only one price quote for purchases between \$0 and \$24,999 fails to comply with the requirements stated in 29 CFR Part 95.45 which states that some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action. One quote does not provide for any comparison or analysis to determine the reasonableness of a purchase.

**Recommendation:** We recommended that La Coop provide CRO with a CAP including a timeline to ensure that adequate documentation is maintained for all future small purchase procurement transactions to substantiate that all are conducted on the basis of full and open competition. In addition, we recommended that La Coop complete and submit a revision of its policy and procedures to CRO that will ensure an appropriate number of price quotes are obtained to substantiate that all small purchases are competitively procured.

**La Coop Response:** La Coop stated that it will revise its policy and procedures to comply with the requirements stated in 29 CFR Part 95.45 to ensure that some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action. La Coop anticipates implementation by September 25, 2009 and also stated that a copy of the revised policy and procedure will be submitted to CRO.

**State Conclusion:** Based on La Coop's response, we cannot resolve this issue at this time. La Coop provided a CAP for the revision of its procurement policy and procedures to complete and document a cost/price analysis, as appropriate. However, it did not address the number of price quotations needed for a comparison or analysis of the reasonableness of the purchase. Specifically, a minimum of two price quotations are needed for the purpose of conducting a comparison. Consequently, we continue to recommend that La Coop follow through with the revision of its procurement policy and procedures in relation to conducting a cost/price analysis. This issue remains open and has been assigned CATS number 90202.

#### FINDING 10

**Requirement:** 29 CFR, Part 97.36(i) states, in part, that all governmental contracts, awarded by a grantee must contain the following provisions:

- Compliance with Executive Order (E.O.) 11246 of September 24, 1965, entitled "Equal Employment Opportunity" as amended by E.O. 11375 of October 13, 1967 and as supplemented in DOL Regulations (41 CFR Chapter 60).
- Compliance with all applicable standards, orders or requirements issued under Section 306 of the Clean Air Act (42 U.S.C. 1857[h]), section 508 of the Clean Water Act (33 U.S.C. 1368), E.O. 11738 and Environmental Protection Agency Regulations (40 CFR 15).



29 CFR, Part 95.48, Appendix A (1-8) states that all non-profit contracts, awarded by a recipient including small purchases, shall contain the following provisions as applicable:

- Equal Employment Opportunity — all contracts shall contain a provision requiring compliance with E.O. 11246 as amended by E.O. 11375, "Amending E.O. 11246 relating to Equal Employment Opportunity," and as supplemented by regulations at 41 CFR Part 60, "Office of Federal Contract Compliance Programs, Equal Employment Opportunity, DOL."
- Debarment and Suspension (E.O. 12549 and 12689), No contract shall be made to parties listed on the General Services Administration's list of Parties Excluded from Federal Procurement or Non-procurement Programs in accordance with E.O. 12549 and 12689, "Debarment and Suspension." This list contains the names of parties debarred, suspended, or otherwise excluded by agencies and contractors declared ineligible under statutory or regulatory authority other than E.O. 12549. Contracts that exceed the small purchase threshold shall provide the required certification regarding its exclusion status and that of its principal employees.
- Contracts and subgrants of amounts in excess of \$100,000 or more shall contain a provision that requires the recipients to agree to comply with all applicable standards, orders, or regulations issued pursuant to the Clean Air Act (42 U.S.C. Sec. 7401 et seq.) and the Federal Water Pollution Control Act as amended (33 U.S.C. Sec 1251 et. seq.). Violations shall be reported to the Federal awarding agency and the Regional Office of the Environmental Protection Agency.

**Observation:**

We found that La Coop's subcontracts with Employment Training Resources (governmental), Proteus (non-profit), and CHDC (non-profit) do not include the above required contract provisions for compliance with the Equal Employment Opportunity and Clean Air and Clean Water Acts for contracts over \$100,000. In addition to the lack of these provisions, we found that the subcontracts with Proteus and CHCD did not contain the contract provision related to debarment and suspension.

A similar contract provision observation was made during the PY 2004-05 Fiscal and Procurement Onsite Review in relation to compliance with the nondiscrimination provision noted above.

**Recommendation:** We recommended that La Coop provide CRO with a CAP including a timeline to revise its general provisions for subcontracts with governmental and nongovernmental entities to specify appropriate references required for nondiscrimination, debarment and suspension, and Clean Air and Clean Water Act provisions. We further recommend that La Coop provide a copy of the revised general provision boilerplate to CRO when it is completed and a CAP stating how it will ensure that all future contracts contain the appropriate provisions.

**La Coop  
Response:**

La Coop provided a copy of a revised general provisions boilerplate for its subrecipient contracts in a September 18, 2009 email. The revised general provisions included the above required provisions related to the Clean Air and Clean Water Acts for governmental and non-governmental organizations. However, none of the specific EOs required to be cited in the nondiscrimination and debarment and suspension provisions were included in the revised general provisions for both types of organizations.

**State Conclusion:** Based on La Coop's response, we cannot resolve this issue at this time. Since the revised general provisions boilerplate did not cite the Executive Orders required above for both types of organizations, we continue to recommend that La Coop provide CRO with a CAP including a timeline to revise its general provisions related to nondiscrimination and debarment and suspension, as described above, for subcontracts with governmental and nongovernmental entities. We further recommend that La Coop provide a CAP stating how it will ensure that all future contracts contain the appropriate provisions. Until then, this issue remains open and has been assigned CATS number 90203.

**FINDING 11**

**Requirement:** 29 CFR, Part 95.34(f)(3) states, in part, that a physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between the quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the cause of the difference. The recipient shall, in connection with the inventory,

verify the existence, current utilization, and continued need for the equipment.

WIAD03-9 states, in part, that the equipment records shall include the following information:

- A description of the equipment.
- Manufacturer's serial number, model number, federal stock number, national stock number, or other identification number.
- Source of the equipment, including the award number.
- Whether title vest in the recipient or the federal government.
- Acquisition date (or date received, if the equipment was furnished by the Federal government).
- Per unit cost at acquisition.
- Records showing maintenance procedures to keep the equipment in good operating order.
- Location and condition of the equipment and the date the information was reported.
- Disposition date, sales price, loss, theft, etc.

**Observation:**

We found that La Coop does not conduct a physical inventory every two years. La Coop maintains an ongoing list of equipment that is periodically updated by La Coop's Fiscal Officer and CPA firm. La Coop could not recall the last time a physical inventory was taken. As a result, the inventory of equipment has not been reconciled with equipment records. In addition, we found that the list of equipment does not include the following required data fields: serial number, funding source of equipment, title holder, percentage of federal participation, location of equipment, condition of equipment, and ultimate disposition.

**Recommendation:** We recommended that La Coop provide CRO with a CAP including a timeline for conducting an equipment inventory and reconciling the results with its equipment records. We also recommended that La Coop's inventory record be revised to include all required data fields as indicated above. Finally, we recommended that La Coop provide CRO with a copy of the inventory when it is completed.

**La Coop  
Response:**

In a September 18, 2009 email, La Coop provided CRO an inventory list, dated August 31, 2009, that included all required data fields except the acquisition date and per unit cost at acquisition. Furthermore, no information was provided in relation to any of the inventoried equipment regarding the percentage of federal participation data field. Finally, La Coop provided no explanation why this information was not provided.

**State Conclusion:** Based on la Coop's response, we cannot resolve this issue at this time. We cannot close this issue until we receive a revised inventory that includes all required data fields or an appropriate justification why this information is not necessary. Furthermore, we cannot close this issue until we verify, during a future onsite visit, La Coop's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 90204.

We provide you up to 20 working days after receipt of this report to submit your response to the Compliance Review Division. Because we faxed a copy of this report to your office on the date indicated above, we request your response no later than October 23, 2009. Please submit your response to the following address:

Compliance Monitoring Section  
Compliance Review Division  
722 Capitol Mall, MIC 22M  
P.O. Box 826880  
Sacramento, CA 94280-0001

In addition to mailing your response, you may also FAX it to the Compliance Review Office at (916) 654-6096.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. As you know, it is La Coop's responsibility to ensure that its systems, programs, and related activities comply with the WIA, related Federal regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain La Coop's responsibility.

Mr. Marco Lizarraga

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September 24, 2009

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact me at (916) 654-1292.

Sincerely,

A handwritten signature in dark ink, appearing to read "Jessie Mar". The signature is fluid and cursive, with the first name "Jessie" written in a larger, more prominent script than the last name "Mar".

JESSIE MAR, Chief  
Compliance Monitoring Section  
Compliance Review Division

cc: David Davis, MIC 50  
Mike McCann, Chairperson  
Jackie Wolfe, MIC 50